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SUBJECT: Frankfurt Airport Expansion Delayed At Least Two Years

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Sensitive but unclassified; Not for internet distribution.

1. (U) SUMMARY: Frankfurt Airport's expansion now faces at least a two-year delay, meaning a fourth runway will not open until at least 2009. The Hesse government announced the delay on May 25, blaming the airport authority (Fraport) and refusing to set a new target date. The political opposition called the setback a major defeat for Minister President Roland Koch (CDU), who has closely associated himself with the airport expansion plans. Airlines warn that further delays could undermine Frankfurt's position relative to other European airports and mean job losses. END SUMMARY.

2. (U) Hesse Economics Minister Alois Rhiel (CDU - Christian Democrat) announced May 25 that the construction of a fourth runway at Frankfurt airport will be delayed "at least two years" past 2007. Rhiel refused to set a new timeline until the airport resolves safety concerns associated with the Ticona chemical plant located near the planned runway (refs C,D). He blamed airport management for the delay, saying that Fraport could have submitted regulatory requests two years earlier and that Fraport's submissions understated problems with the chemical plant and wildlife preservation areas. NOTE: The state government -- which until now had defended Fraport and the 2007 target date -- now echoes criticism by the regional zoning authority which last November called Fraport's studies "sloppy" and inadequate. END NOTE.

3. (U) Fraport managers claim they can live with the delay by optimizing slot usage at existing runways. Airline reps generally agreed, but warned that they might move flights to Paris, Amsterdam or London if expansion is further delayed. Lufthansa, Fraport's main customer, said its plans would not be affected since most of Lufthansa's growth in the past five years has occurred at Munich (the airline's second hub). Lufthansa Cargo pointed out a bright side to the delay: "Every year without a night-flight ban is good for us." (NOTE: Frankfurt Airport will eliminate night-flights once the fourth runway comes into operation. END NOTE). Business associations used the occasion to criticize onerous German bureaucracy and to warn that Frankfurt could lose its attractiveness for many businesses.

4. (U) The political opposition held Minister-President Roland Koch (CDU) personally responsible. SPD (Social Democrat) caucus chief Juergen Walter blamed Koch for Fraport's sloppy and flawed approach -- including its neglect of safety issues -- pointing out that Koch served as chairman of Fraport's supervisory board when it formally applied for expansion. The Greens, who oppose the expansion, declared the project dead. Christian Jochum, head of the German Safety Commission, remarked that the airport should not seek approval from the European Commission (which expressed concerns about Ticona last year) until safety issues are further addressed (refs C, D).

5. (SBU) COMMENT: The expansion of Frankfurt is not only the largest infrastructure project in Germany, but also one of Koch's main projects as Minister President. An early advocate of the controversial north-west runway (next to the Ticona plant), Koch could suffer politically if the expansion project falls further behind. Hesse's inability to set a new and credible timetable is a bad signal to airlines, who could look elsewhere to expand operations. Fraport's mishandling of expansion and its disastrous involvement in the Manila airport project (where it lost almost 500 million Euros - REF A) mean that Koch will have to throw his full weight behind the project to secure Frankfurt's role as a leading hub in Europe. END COMMENT.

